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# Message Text

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PAGE 01 BRUSSE 11142 01 OF 02 071633Z
ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 STR-07 AID-05 CEA-01
CIAE-00 COME-00 EB-08 FRB-03 INR-10 NEA-11
NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01
AGRE-00 OMB-01 SS-15 DODE-00 NSCE-00 SSO-00
ICAE-00 INRE-00 DOE-15 SOE-02 DOEE-00 L-03 OES-07
DOTE-00 ACDA-12 /146 W
----------097903 071648Z /72
O 071617Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 7099
INFO ALL EC CAPITALS
AMEMBASSY TOKYO
USMISSION GENEVA

LIMITED OFFICILA USE SECTION 01 OF 02 BRUSSELS 11142

USEEC

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E.O. 11652: N/A
TAGS: EEC, EIND, ETRD
SUBJ: EC FOREIGN MINISTERS COUNCIL, JUNE 6, 1978: STEEL

REF: BRUSSELS 10576 (NOTAL)

1. SUMMARY: EC COMMISSIONER DAVIGNON INFORMED THE JUNE 6 EC FOREIGN MINISTERS COUNCIL OF NEW MEASURES THE EC COMMISSION PLANS TO TAKE TO ENFORCE PRODUCER COMPLIANCE WITH THE EC'S ANTI-CRISIS STEEL PLAN. DAVIGNON ALSO CONFIRMED THE COMMISSION'S INTENTION TO INCREASE THE EC'S STEEL REFERENCE PRICE BY 5 PERCENT AS OF JULY 1, AND SAID THE COMMISSION COULD AGREE TO AN EXCEPTION TO EC PRICE RULES FOR STEEL CONSIGNED TO SHIPBUILDING. SEPTEL LIMITED OFFICIAL USE

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PAGE 02 BRUSSE 11142 01 OF 02 071633Z

DISCUSSES UK DEMARCHE LINKING AGREEMENT TO OECD STEEL COMMITTEE TO WITHDRAWAL OF U.S. ANTI-DUMPING ACTIONS. END SUMMARY.

2. A COMMISSION SPOKESMAN TOLD REPORTERS DAVIGNON IN-FORMED THE COUNCIL THE COMMISSION PLANS TO ASSIGN A "SELLING AGENCY" TO EXAMINE DOCUMENTATION ON STEEL

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

DELIVERIES BY ITALIAN FIRMS RECENTLY FINED FOR NON-
COMPLIANCE WITH THE EC'S ANTI-CRISIS PLAN (REFTEL).
DAVIGNON SAID THE COMMISSION'S AIM IS TO INCREASE ITS
ABILITY TO REACT QUICKLY TO PRICE VIOLATIONS--OPTIMALLY
WITHIN A 15-DAY PERIOD--AND THAT, UNDER NEW REGULATIONS
TO BE PUBLISHED NEXT WEEK, THE COMMISSION WILL, IN CASE
OF MAJOR INFRACTIONS, BE ABLE TO LEVY FINES EQUAL TO
25 PERCENT OF THE VALUE OF PRODUCTS INVOLVED, PAYABLE
IMMEDIATELY IN CASH. DAVIGNON SAID THE COMMISSION WOULD,
IN EACH SUCH INSTANCE, MEET FORMALLY WITHIN SEVEN DAYS TO
REVIEW THE APPROPRIATENESS OF THE FINE.

3. THE SPOKESMAN SAID DAVIGNON CONFIRMED THE COMMISSION
STILL PLANS A 5 PERCENT REFERENCE PRICE INCREASE (IN REAL
TERMS) ON JULY 1. THE SPOKESMAN SAID DAVIGNON POINTED OUT
THIS INCREASE WOULD RESULT IN EC PRICES WHICH WOULD
STILL BE 5 TO 20 PERCENT BELOW U.S. TRIGGER PRICES AND
THAT THERE WOULD BE NO RISK OF ADVERSE EFFECTS IN OTHER
SECTORS.

4. ACCORDING TO THE SPOKESMAN, DAVIGNON SAID EC RAW STEEL
PRODUCTION DURING THE MARCH-APRIL PERIOD SET A NEW MONTHLY
RECORD OF 12 MILLION METRIC TONS (MT) BUT THAT CONSUMPTION
DURING THE SAME PERIOD DID NOT GROW. DAVIGNON ANNOUNCED
THAT, AFTER CONSULTATIONS WITH THE EC STEEL LIAISON COM-
MITTEE, THE COMMISSION HAS FIXED A PROVISIONAL PROGRAM
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SETTING A 29 MILLION MT CEILING ON THIRD QUARTER RAW
STEEL PRODUCTION; HE SAID THAT THIS LOWER PRODUCTION
LEVEL (EXCEPT FOR GERMANY) WAS NEEDED TO COMPENSATE FOR
SECOND QUARTER OVERPRODUCTION, ADDING THAT FINAL FIGURES
FOR THE SECOND QUARTER ARE EXPECTED TO BE BETWEEN 35 AND
36 MILLION MT, INSTEAD OF THE 31.4 MILLION MT TARGET.
HE SAID THE COMMISSION INTENDS TO VERIFY ON A MONTHLY
BASIS PRODUCER COMPLIANCE WITH VOLUNTARY QUOTAS BUT
EMPHASIZED THAT THE COUNCIL SHOULD TAKE NOTE THAT THE
ANTI-CRISIS SYSTEM WILL NOT WORK WITHOUT MEMBER STATE
COOPERATION.

5. ACCORDING TO THE SPOKESMAN, DAVIGNON INDICATED, IN
REPLY TO A DANISH QUESTION, THAT THE COMMISSION IS READY
TO MAKE AN EXCEPTION TO EC PRICE RULES FOR ALL STEEL
(DOMESTIC AND IMPORTED) DESTINED FOR SHIPBUILDING. (THE
SPOKESMAN NOTED THAT SHIPBUILDING IS A SECTOR IN WHICH
THE EC IS IN DIRECT AND IMMEDIATE COMPETITION WITH THE
REST OF THE WORLD AND THAT IT IS IN THE EC'S INTEREST TO
ALLOW ITS OWN STEEL PRODUCERS TO SELL TO ITS OWN SHIP-
YARDS AT WORLD PRICES.) THE SPOKESMAN SAID DAVIGNON
LISTED TWO CONDITIONS FOR SUCH AN EXCEPTION TO PRICE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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RULES: (1) SHIPYARDS WOULD HAVE TO COOPERATE IN MONTHLY VERIFICATION THAT STEEL SUPPLIES ACTUALLY GO TO SHIP-BUILDING AND ARE NOT DIVERTED TO THE INTERNAL MARKET, AND (2) THERE SHOULD BE NO EXCESSIVE UNDERCUTTING WITH RESPECT TO WORLD PRICES.

6. MEMBER STATE REACTION TO DAVIGNON'S PRESENTATION WAS LARGELY POSITIVE,ACCORDING TO COUNCIL AND PERMREP SOURCES. HOWEVER, A SPOKESMAN FOR UK TRADE SECRETARY DELL TOLD REPORTERS THAT, EVEN THOUGH THE BRITISH WOULD RESPECT THE COMMISSION'S NEW PLANS, HMG WOULD STILL LIKE TO SEE THEM ON PAPER. DELL HIMSELF TOLD THE PRESS THAT THE ANTI-CRISIS PLAN IS A LAST CHANCE AND THAT, IF IT FAILS, "VARIOUS MEMBER STATES WILL TAKE UNILATERAL
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PAGE 04 BRUSSE 11142 01 OF 02 071633Z

ACTION."

7. FRG FINANCE MINISTER LAMBSDORFF TOLD REPORTERS BEFORE THE COUNCIL THAT, AT A MEETING WITH DAVIGNON THAT SAME MORNING, HE HAD EMPHASIZED GERMAN UNHAPPINESS WITH EN-FORCEMENT OF THE ANTI-CRISIS PLAN TO DATE, PARTICULARLY

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PAGE 01 BRUSSE 11142 02 OF 02 071634Z
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LIMITED OFFICILA USE SECTION 02 OF 02 BRUSSELS 11142

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WITH RESPECT TO OBSERVANCE OF MINIMUM PRICES BY COMMUNITY PRODUCERS. LAMBSDORFF SAID DAVIGNON EXPRESSED RELUCTANCE TO DECLARE A CRISIS UNDER ARTICLE 37 OF THE ECSC TREATY AND ARGUED THAT PRODUCTION AGREEMENTS WITH PRODUCERS SHOULD REMAIN ON AN INFORMAL BASIS, AND SHOULD NOT BE SUPPLANTED BY OFFICIAL EC OR MEMBER STATE POLICIES, DESPITE RECENT PROBLEMS. A GERMAN SPOKESMAN TOLD REPORTERS LATER THAT DAVIGNON ASSURED LAMBSDORFF HE WOULD DO EVERYTHING NECESSARY TO ASSURE PRODUCER COMPLIANCE. THE SPOKESMAN EMPHASIZED THAT THE FRG, LIKE DAVIGNON, DOES NOT CONSIDER A CRISIS DECLARATION TO BE ADVISABLE AT THE PRESENT TIME, BUT THE SPOKESMAN SAID THAT TWO GERMAN FIRMS IN PARTICULAR (MAKHUTTE AND SALZ GITTER), WHICH WERE IN STRONG POSITIONS BEFORE THE PLAN, ARE NOW BEING HURT BY LIMITED OFFICIAL USE

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PAGE 02 BRUSSE 11142 02 OF 02 071634Z

ITALIAN PRICE VIOLATIONS. THE SPOKESMAN ASSERTED THAT THERE IS "NO EVIDENCE TO DATE" THAT ANY GERMAN FIRMS ARE NOT COMPLYING WITH THE PLAN, BUT WARNED THAT THE FRG CANNOT "SPEAK FOR FUTURE COMPLIANCE" BY GERMAN FIRMS IF THERE IS NO IMPROVEMENT. HINTON

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20 Mar 2014
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